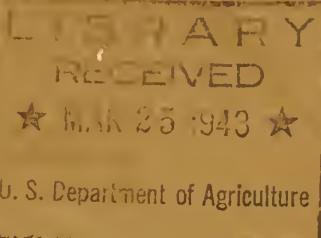


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UNITED STATES DEPARTMENT OF AGRICULTURE
Food Distribution Administration



WAREHOUSING ACTIVITIES OF THE FOOD DISTRIBUTION ADMINISTRATION

By William C. Crow, Chief, Transportation and Warehousing Branch

Address, Annual Meeting American Warehousemen's Association
Chicago, Illinois, February 10, 1943

Total production of all crops in the United States in 1942, it is estimated, was about 10 percent greater than in the previous year. The increase in livestock production was even greater. Corn production was up 19 percent; cotton production up 21 percent; soybean production almost doubled; sugarcane and sugar beet production up 19 and 16 percent respectively. Cattle receipts at 68 markets in 1942 were 24 percent greater than the average for the previous 5 years, while hog receipts were up 22 percent. These figures show the tremendous output of the Nation's agricultural plant last year. The considered judgment of the Department of Agriculture is that production in 1943 will continue at high levels.

This increased production has meant that larger quantities of these products were stored in American warehouses. Grain in storage reached very high figures and a real problem existed in finding adequate space. Elevators were filled; all available farm storage was used; and special bins were manufactured and distributed throughout the grain-producing areas. In order that railroad equipment would not be tied up, a permit system was established to prevent shipment to areas where storage space was not available for unloading the cars.

On the average, public cold storage houses throughout the country were more fully occupied in 1942 than in the previous year. For a few months this increase amounted to as much as 10 percent. At no time, however, were the cold storage houses of the country taxed to their capacity. Freezer space at no time was more than four-fifths full, and cooler space was not more than three-fourths full. Of course, in certain localities space was hard to find at times. There was a scare about the possibility of a general shortage of storage space for apples, but an investigation showed that except in the New England States and the lower Hudson Valley, the problem was chiefly one of excessive reservations. Larger quantities were stored in the apple houses, and public cold storage houses handled fully as many as the year before. The net result was that several million bushels more were stored in 1942 than in 1941. Larger quantities of eggs were also handled.

During the spring of 1942 it was feared that shortages of dry storage space might develop, but as stocks of consumers' goods began to dwindle, dry

storage space became more plentiful until at present there seems to be little likelihood of shortages except in a few strategically located areas where war activities have brought in unusually large quantities of products.

As far as the storage outlook for agricultural products in 1943 is concerned, it is expected that there will be considerable difficulty in finding adequate space for grain. Because of the continued emphasis on increasing production of meat and eggs, there should be as much cold storage business in 1943 as last year, and there is a possibility of some increase. No serious problems are expected in finding storage space for other agricultural products. Furthermore, since large quantities of many foods will be owned by the various agencies of the Government, it will be possible by proper foresight and planning, to spread supplies in such a way as to minimize storage difficulties in particular areas. The extent to which these agencies will so plan and coordinate their activities remains to be seen. The Food Distribution tries to keep informed at all times as to the storage situation and outlook, and from time to time conducts programs for dealing with particular storage problems when agricultural products are involved.

As you all know, the Food Distribution Administration is buying and handling a considerable portion of the agricultural output to feed our own Army and Navy; to supply food to the United Kingdom, Russia, and other countries obtaining Lend-Lease aid; and to send supplies to Hawaii, the Caribbean islands, South America, North Africa, and various parts of the world for the Red Cross. The quantity of these products so handled is increasing. They must be picked up when vendors all over the country are ready to deliver and shipped to storage houses or to ports.

In the interest of economy, storage is arranged near the vendors' establishments, near the ports, or on a direct line between these points where storage-in-transit rates apply. In order to avoid unduly congesting port facilities and the necessity of transporting supplies from one port to another, stocks are usually held far enough back from the coast to make it possible to send them to either of two or more ports as the need may arise. On the other hand, there must always be sufficient stocks within 48 hours of the ports to meet sudden demands arising from changing shipping situations. The Food Distribution Administration, operating through the Federal Surplus Commodities Corporation, has consistently used public warehousemen to store products. Few other Government agencies have depended so completely on public warehouses. We have pursued this policy for several reasons. First, we think it unwise to spend public money and to use scarce materials and labor to build warehouses which we do not expect to need for more than 3 or 4 years. We think it is better to lease existing buildings than to construct new ones if public warehouses become inadequate. Second, we have tried to avoid the necessity of having to operate our own houses. Third, we have found it desirable to have supplies in many houses rather than larger quantities in fewer houses, because, a larger number of cars can be loaded out of many houses in one day than can be loaded out of a few. Finally, you warehousemen have given us excellent service as a rule. Therefore, even though we have funds to build or lease warehouses, we expect to continue to use public warehouses so long as we get good service at reasonable rates and do not have too many interferences with the working relations which we have established with you.

In using public warehouses, it is necessary that we give every interested warehouseman the right to bid for our business. As a Government agency, we can follow no other practice, and as a business proposition we do not desire to get away from competitive bidding. It is not only the fairest way to apportion our business; it is also a way to spread larger supplies in areas where space is most plentiful for from such areas bids generally will be lower. When bids from any one city are high because of temporary shortages of space or for other reasons, we can, in most cases, avoid using warehouses in that city. Except for some of the ports, no one city is of great importance to us, as our storage requirements are flexible.

In order to facilitate a comparision of bids and keep a systematic file of all offers made to us, we have a standard form which we send out to any warehouseman who desires to bid for our business. When he submits his bid he gives us certain basic information about his facility. Obviously, we receive bids from all kinds of warehousemen and from persons who have never been warehousemen. Low bids come from those whose facility is so poor that it is not a safe place for our products. We have been offered all kinds of storage, from dilapidated buildings and unused subways to first class facilities. If we awarded our business strictly on the basis of the storage rate quoted, some of our products would be placed in houses where they could not be properly cared for and would spoil.

After the bids are received, it is necessary that we inspect the warehouses to make sure that the facilities are satisfactory, that the warehouseman knows how to handle the products on which he is bidding, and that the firm is financially responsible so that we can recover any loss in excess of the 20 percent bond that we require. Of course, if we were to require a bond equivalent to 100 percent of the value of the products stored, no check into the financial status of the bidder would be necessary; but to require such a high bond would work a hardship on the good warehousemen.

Most of you who do business with the Food Distribution Administration have already met our warehouse examiners, and know that when they visit your house they get such information as the type of construction of the building, the extent of the fire hazard, the distance from the nearest fire plug, and whether or not a sprinkler system is installed. With this information we are able to protect ourselves against fire losses -- that is, to use only those warehouses properly protected; the information is necessary because we do not require insurance against fire. This is a desirable policy because we scatter our supplies in about 500 warehouses, and with proper inspection and selection of houses, loss from fire would be less than the cost of insurance.

The inspector also finds out how many cars can be loaded in or out of the warehouse in a day -- an important item to us when we must know how many cars can be loaded out in a period of time if sufficient supplies are to reach port in time to meet boat schedules. A complete description of the warehouse is obtained. On each inspection an estimate of percentage occupancy is made to find whether or not available space is becoming more scarce or more plentiful. If it is becoming more scarce, we must make plans to meet future needs. Information is also obtained on watchman service,

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sanitary conditions, kind of products the warehouseman knows how to store, how long the warehouseman has been in business, and who is authorized to sign contracts for the corporation.

In addition to obtaining such information as this when the house is first inspected, on subsequent examinations the examiner inspects our product to see that they are still in good condition in order to be sure that valuable shipping space is not used to send spoiled products abroad. Most of you, perhaps, are not aware of the fact that our examiner gets so much information, for he sends you no questionnaire. He is instructed to look over the house and get all the data possible without taking the time of the warehouseman. He asks the warehouseman only for such information as he can obtain in no other way. Many of you have heard a rumor that we are sending warehousemen a long questionnaire to fill out. You have not received such a questionnaire. You will not receive one. The sending out of such a form has never even been considered. Since inaugurating our inspection system we have received large numbers of letters endorsing it from warehousemen all over the country. Good warehousemen were quick to realize that they could not compete wholly on a price basis with persons with inadequate facilities, knowledge, or financial responsibility. You may be interested to know that since this inspection service began 3 months ago, we have discontinued using more than 30 houses, and have made suggestions to many more for action that would prevent losses and the consequent necessity of our filing claims against the warehousemen. So much for the subject of warehouse inspection.

After the inspection reports are in, the bids of unsatisfactory houses are eliminated, and the bids of all the satisfactory houses are filed by geographic region. (At this point, I should like to digress long enough to point out that we do not publicize the fact that we have dropped or refused to accept a house, because we have no desire to do anything which would injure the relationships between a warehouseman and his other customers.) After the bids are filed, warehousemen are not expected to hold space for us. Such action would be wasteful of warehouse space and would contribute to possible shortages of storage facilities. Instead, when our shipping people need storage space in a certain area, our Storage Section is notified. That office then finds the low bidder in the area and telephones him to see if he, at the moment, has space for a stated number of cars of a certain product. If he has, the product is consigned to him.

Sometimes, after the cars have been consigned to a warehouse, shipping requirements change, and it becomes necessary to reconsign the products to a port. In such cases, the warehouseman is notified as quickly as possible of the change in order that he may put the space to other use. When products are ordered out of warehouses, it is done nearly always to move them to some boat that is expected at a definite time. Hence, prompt service in loading out is necessary. Warehouses which cannot or will not load out promptly cannot continue to be used. Obviously, in times such as these, boats cannot be delayed because goods from some warehouse have not arrived.

Warehousemen may submit new bids as often as they desire; a letter authorizing the change will be sufficient; the new rates, of course, do not apply to products already in storage. Bids are often changed as conditions

in particular localities change. Of course, all rates must be within the ceilings established by the Office of Price Administration.

Before leaving the subject of storing products of the Food Distribution Administration, I should like to say a word about the turning of evaporated milk. As you know, if this product is to be kept in proper condition, it must be turned at specified intervals. Warehousemen have been told to perform this turning operation, but there is evidence that in some cases it has not been done. Therefore, it has become necessary that we institute a method of making certain that the milk is turned and that we do not pay for this service if it is not performed. In line with this, we have notified warehousemen who store this product that all milk turned between January 1 and February 15 should have a black crossmark placed on top of the case after it has been turned. Before February 15 notices will be sent out as to how to mark the cases during the next turning period. By this method, our inspectors can check to be sure that the milk was turned without actually being present at the turning. Of course, prices quoted on turning and marking are considered as a part of the bid when the decision is made as to where the milk should be stored. The Food Distribution Administration is pleased with the fine cooperation received from public warehousemen in handling its products. Space and service has been such that to date we have had to lease only three warehouses, and these for unusual uses. The houses we have leased are operated by public warehousemen on a low-bid basis. We have bought or built no warehouses. We are looking forward to continued business with public warehousemen to our mutual advantage.

In addition to these warehousing activities, the Food Distribution Administration under authority of the U. S. Warehousing Act licenses and supervises warehouses that store certain agricultural products such as grain, cotton, tobacco, and wool. These warehouses are handling products for the public, and the supervision which they are given has no connection with the inspection of warehouses where Lend-Lease products are stored except for such houses as are under federal license. In one case, the supervision is to protect the public; the other, it is to protect the Government-owned goods. For the most part, different kinds of products and warehouses are involved. No warehouseman is licensed and supervised by the Administration unless it voluntarily asks to come into the system.

Over thirteen hundred warehousemen throughout the country are licensed and many more would be if they could get in. Of the latter, applications are being turned down regularly because of a lack of personnel to render the services desired. Through this system of federally licensed warehouses, around a billion-and-a-half dollars' worth of products are handled each year. During the 26 years of operation under the Warehouse Act, no depositor of any product in any federally licensed house has ever lost a penny.

When warehousemen apply for membership in the system, they are thoroughly investigated, their facilities carefully inspected, and, if they meet all requirements, are given a license and the right to issue Federal warehouse receipts. Periodically, each house is carefully checked to see that the correct quantity and grade of product is back of each receipt that is issued, that the product is being properly handled, and that it is in good condition. This examination closely resembles a bank examination. It must be rigid, because as

a result of it a list is set up of what might be called accredited warehouses whose reputation assures the public that its products will be safely handled. These Federal warehouse receipts are unquestionably accepted as collateral by banks throughout the country.

Warehouses that have come into the system have found the Federal stamp of approval a drawing card for business, and they have been able to improve their business operations through the suggestions of the examiners. Customers have no fear that they will find their products out of condition when they are moved out of storage, and they know they will have no difficulty to arrange for financing products so stored. This system of supervision is protecting a large part of the country's agricultural output from both physical and financial loss. Such a service is particularly useful in times such as these when it will be difficult to replace any products that may spoil.

Curiously enough, some warehousemen who store Lend-Lease products have thought that our Lend-Lease warehouse supervision might be an enthralling wedge to bring them into the Federal warehouse system. They need have no fear of this for several reasons. In the first place, most of the warehouses that store Lend-Lease goods are not eligible for Federal license and couldn't get into the system if they wanted to. Second, there is no likelihood that anyone will be forced into the system as long as we have warehousemen begging to get in and being turned down because we have no personnel to handle their inspection. Finally, if the service were being expanded, it would logically be in the direction of more complete coverage of houses already eligible, rather than in the direction of extending the eligibility list of products. Real effort will have to be exerted by any new types of warehousemen that may want to get into the system.

Other warehousing activities of the Food Distribution Administration include reviewing priority applications for new warehouse construction, and obtaining current information from cold-storage houses on their holdings and percentage occupancy. The cold-storage data which you have so willingly supplied the Food Distribution Administration are becoming more and more useful in meeting wartime storage problems. This information is being regularly used not only by the industry, but also by many agencies of the Government.

During recent months, you have been asked to supply more cold-storage information than you were furnishing a year ago. These added requests were not made to increase your burden in supplying us with material, but rather to make your task of furnishing information easier. When other agencies of the Government have felt it necessary to send you long questionnaires, we have tried to meet their need by adding a question or two here and there to our inquiries, or by changing the way a question is asked, so that our summaries of the material you supply will meet the needs of all other agencies. As soon as the need passes, these additional requests will cease, for we have no desire to ask you to supply any information that is not absolutely necessary.

In conclusion, I should like to repeat that the Food Distribution Administration is proud of the excellent relationship which it has with warehousemen throughout the country. We appreciate the service you are rendering in handling our products, and your fine cooperation in supplying us with information we need, and in helping us carry out our warehousing programs. We hope, that as time passes, our relationships will become even closer and that we and your industry may become increasingly useful to each other.